

CITY OF STANWOOD
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. City Officials Should Improve Controls Over Utility Billings And Cash Receipting

During our audit of the City of Stanwood, we noted significant weaknesses in the city's internal control over utility billings and cash receipting. These weaknesses, if not corrected, expose management to potential errors and irregularities not being detected in a timely manner, if at all.

Specifically, these weaknesses are due to a lack of segregation of duties in the following areas:

a. Cash Receipting

The same person who processes the utility billings, also collects and posts payments. By not segregating the billing and receipting duties, the city cannot ensure that all payments received are being posted to the customer accounts and deposited into the bank.

b. Delinquent Account Review

All delinquent accounts and notices are handled by the utility billing/cash receipting clerk. There is no review by someone outside of utilities to ensure that the notices are being sent to all delinquent accounts. Without the review, city management cannot ensure that all delinquent accounts and balances are correct.

c. Adjustment Review

All billing account adjustments are handled by the billing clerk. There is no supporting documentation as to why the adjustment was made. Furthermore, there is no supervisory review from a second person. Without proper documentation and review, the city cannot ensure that all adjustments to utility accounts are valid.

We recommend that city management:

- a. Assign the cash receipting and posting duties to a person with no access to the utility billing function.
- b. Review the monthly delinquent report and the delinquency notices. This review should be performed by someone outside of the utility process. The review should be evident by a signature and a date on the report.

- c. Properly document utility billing adjustments on an adjustment form. The form should document why the adjustment occurred and who made the adjustment. Each adjustment form should be reviewed by someone not involved in the billing process. The review should be evident by a signature and date on the adjustment form.